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ABSTRACT

One of a series of units designed to acquaint secondary school students with business issues, this packet introduces students to the business decision-making environment. Teacher and student materials are provided in two separate sections. The teacher's guide presents an overview, objectives, five detailed lesson plans, answer keys, handouts for student case studies, and recommendations for using a business person as a classroom resource. Student materials contain eight activities to help students understand how business functions. Two readings provide an overview of the business environment and introduce key terms and concepts such as production, distribution, service, corporation, stocks, monopoly, supply and demand, competition, union, and special interests. In a survey, students rank a variety of considerations (profits, safety, productivity, equal opportunity, public interest) according to their importance to American business and conduct interviews on this topic. Five case studies provide students with the opportunity to make business decisions. This unit can be extended by a newspaper research activity in which students apply their knowledge of the business environment to news articles. Concluding the unit is a vocabulary worksheet that reviews key terms and concepts. (LP)

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THE BUSINESS ENVIRONMENT

Instructor's Guide

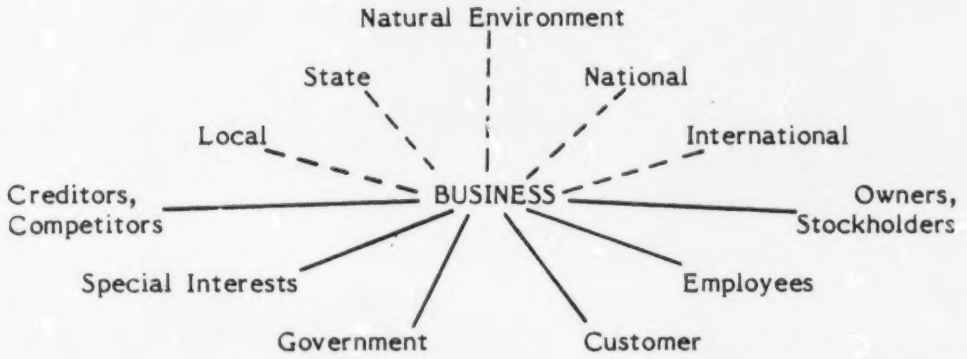
Author: Phyllis F. Maxey
Business Issues in the Classroom
Constitutional Rights Foundation
Los Angeles, California
Revised, 1983

SP 015 368

THE BUSINESS ENVIRONMENT

OVERVIEW

Business Issues in the Classroom (BIC) introduces students to exciting, difficult, and complex decisions that face the business community today. Case studies and activities help students understand the setting in which American companies must function. The business environment includes many groups with conflicting interests: stockholders, consumers, employees, special interest groups, business competitors and creditors, and government. These groups affect business and, in turn, are affected by business decisions. Each BIC lesson plan focuses on a specific issue which highlights a particular relationship in the business decision-making environment.



THE BUSINESS DECISION-MAKING ENVIRONMENT

Activities include five case studies and a survey ranking business goals. Both of these activities can first be done by students; then they can compare their answers with those of business people. The lesson can be extended by a newspaper research activity in which students have an opportunity to apply their knowledge of the business environment to new articles. A vocabulary worksheet helps students review the new terms in the lesson.

OBJECTIVES

Students will be able to:

1. describe the business decision-making environment, including owners, employees, consumers, government agencies, special interest groups, other businesses, and the natural environment.
2. give examples of dilemmas that face business decision makers.
3. identify their own goals for business in American society.

TIME FRAME

5 class periods

CLASSROOM APPLICATIONS

DAY 1 Reading and Discussion: Introduce the unit by asking students, "What is business?" As a class, read and answer the questions in the first part of the reading, p. 1. Assign the remainder of the reading, p. 1-8, and then review questions on p. 9 for homework or in-class work.

DAY 2 Discussion and Concept Building: Discuss the reading review questions on p. 9. There are several important and difficult concepts introduced in the reading: corporation, stockholder, market system, and profit.

Check students' understanding by using the Vocabulary Worksheet, p. 16. If the concepts seem too difficult, you may wish to spend more time on them, using additional resources — films, filmstrips, textbooks, or a resource person.

DAY 3 Survey and Discussion: Refer students to the Business Issues Survey on p. 10. Have each student rank the business activities from 1 to 10. After all students have completed their ranking, ask for a show of hands to find out how many #1 rankings each survey item received. Discuss the top choices and the values represented by their important rank. Use the same procedure to identify the items most frequently chosen as #10.

Explain to the students that a similar survey was given to the readers of the Harvard Business Review. They ranked business actions in terms of those that ALL businesses should do and those that SOME businesses may want to do. Explain the results to the class and compare with their own rankings.

More important: All businesses should take this action
Less important: Some businesses may want to take this action

MORE IMPORTANT

1. Being an efficient user of energy and natural resources
2. Assessing the potential environmental effects flowing from the company's technological advances
3. Maximizing long-run profits
4. Using every means possible to maximize job content and satisfaction for the hourly worker
5. Having your company's subsidiary in another country use the same occupational safety standards as your company does in the United States
6. Acquiescing to State Department requests that the company not establish operation in a certain country
7. Making implementation of corporate Affirmative Action plans a significant determinant of line officer promotion and salary improvement
8. Instituting a program for hiring the hard-core unemployed
9. Contributing to the local United Way Fund

LESS IMPORTANT

Ranking by 25% of 5,000 U.S. readers polled on business ethics and corporate responsibility by Steven N. Brenner and Earl A. Molander, published in Harvard Business Review, January/Febuary, 1977, pg. 70.

DAY 4 Small Group Discussion: Divide the class into small groups of 5-7 students. Have them read "The Business Environment" on p. 11-12 and answer the questions on p. 12. After 15 minutes, briefly review the answers to the questions, keeping students in their small groups.

Refer students to "Five Cases of Business Decision-Making" on pp. 13-14. Depending on the available time, assign each group one or more cases to discuss. Have each group explain their decisions and their reasoning. Present the decisions made by DuPont executives (See pp. 7-8 of Instructor's Guide), comparing their reasons with those of the students.

DAY 5 Lecture or Research Assignment

Lecture: Using the Teacher Background material as well as current news items, present a lecture on the social role of business in our society. Try to make the students aware that there are differing viewpoints on the proper role for business. This topic may provide an opportunity for students to interview their parents and discuss parents' answers to the Business Issues Survey.

Research Assignment: As explained on p. 15, have students examine several newspapers that cover business stories. Then have them find articles that deal with the six topics listed. Students could work alone or in pairs on this assignment.

USING A RESOURCE PERSON IN THE CLASSROOM

The Business Issues in the Classroom program (BIC) has a talented group of business professionals who are prepared to teach one day of this lesson. At least two weeks before you want a resource person, call the Constitutional Rights Foundation at (213) 473-5091 and ask the BIC placement coordinator to arrange a classroom visit.

The business resource person could participate in the following ways:

DAY 3: Business person leads a discussion of the Business Issues Survey.

DAY 4: Business person leads a discussion of "Five Cases in Business Decision-Making."

Answers to Reading Review Questions, p. 9

1. Some businesses are involved in production, others in distribution (marketing), and service. Some are small with one owner, others are giant corporations with thousands of stockholders. Some have one or two employees who do everything, others have staff who work in different divisions at specialized jobs.
2. A business might use its profits to expand the business, improve its equipment, buy new pollution-control technology, hire more employees, or distribute its profits to the owners.
3. Consumers are important in a market economy because they contribute to the interplay of price, supply, and demand. Consumers "vote with their dollars" by choosing one product over another. Business competes for their dollars, thus keeping prices and quality at competitive levels.
4. Government regulates monopolies, such as utility companies, enforces such legal principles as contracts, and establishes conditions that encourage competition and fair business practices by regulating tariffs and operating regulatory agencies.
5. A lobbyist represents an interest group that wants to persuade a government official to support the special interest's viewpoint.
6. Today most people have white collar jobs, such as office workers, sales people, administrators, teachers, and engineers. They often work in service businesses rather than production or distribution.
7. Other businesses might include the manufacturers of fishing equipment, a trucking company to deliver supplies, a bank to handle the store's account or to make a loan, an office supply store to provide paper, receipt books, pens, etc., or a local newpaper to advertise.
8. The natural environment is important because business production will have an impact on air, land, and water. There are many people interested in protecting natural resources who will oppose business production.

9. The owners of a corporation are its stockholders or shareholders. They do not run the company in most cases (although executives and employees may hold shares of stock as part of their benefit package). The corporation is managed by officers appointed by the Board of Directors. Shareholders provide money to the company when they buy stock.
10. A large corporation has employees organized in a hierarchy. At the top are the officers -- president and vice presidents. Managers are next; they supervise the professional and clerical staff within their divisions.

Answers to Reading Review Questions, p. 12

1. Local interests are represented by the Santa Barbara City Council, state interests by the California Coastal Commission, and national interests by the President.
2. Special interest groups might include the environmentalists, the beachgoers (if they are organized), and the fishing business.
3. The international situation is important because foreign oil producers are providing a very important product to the American market. If they should cut off the oil supply, it would have a very negative impact on the economy. The President in this case is encouraging production of more oil on American land.

Answers to the Vocabulary Worksheet, p. 16

1. MEDIA	2. CONSUMERS	3. INTERNATIONAL
4. MANUFACTURERS	5. CONTRACT	6. STOCKHOLDERS
7. DISTRIBUTORS	8. REGULATORY AGENCIES	9. CREDITORS

10. CONSUMERS, OWNERS, EMPLOYEES, SPECIAL INTERESTS, GOVERNMENT, COMPETITORS AND CREDITORS (OTHER BUSINESSES).

FIVE CASES IN BUSINESS DECISION-MAKING

The Washington Post OUTLOOK
SUNDAY, JULY 1, 1979

A 5-Part Quiz on Corporate Ethics

Drawing by Dana Fradon; © 1978 The New Yorker Magazine, Inc.

"Miss Dugan, will you send someone in here who can distinguish right from wrong?"

By Carl B. Kaufmann

TV DRAMAS and film fare usually portray corporate executives as amoral men who live for power and care nothing for ethical values, but this is one instance where pop culture does not mirror reality.

My experience in the corporate interior suggests that business executives approach ethical problems in much the same way as everybody else, for better or worse.

The public's attention is usually directed to corporate crime, understandably. In the past decade, there have been illegal payments to sell airplanes abroad, the theft of trade secrets, the use of corporate funds for political purposes or, to reduce the scale to local levels, such petty matters as bribing building inspectors and rolling back the odometer on used cars.

But there is no ethical question involved in these — these are easy calls. They deal with violations of laws that reflect the public consensus of right and wrong. No responsible voice in business or outside it claims a little bribery is good for the soul.

The tough calls for corporate executives are the ones where the hats are not black and white, but all gray. How do you behave when the law is nonexistent and the maxims learned at mother's knee do not quite cover the question?

Here are five "tough calls" which really confronted corporate executives, including those at our company. In my judgment, the "right" and "wrong" answers are not as self-evident as business critics pretend. Judge for yourself. How would you decide?

Case No. 1

Your corporation has developed a prescription drug that helps prevent flu or cure it. It has other potential uses too. But the Food and Drug Administration won't grant clearance. More testing, please. Your company experts think the U.S. regulators are dragging their feet beyond reason. Other governments, with high standards for judging the safety and efficacy, have approved the drug for sale in their countries.

Carl Kaufmann is executive assistant in DuPont's public affairs department and a former chairman of economic education research for the Business Roundtable.

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Should we go ahead and market the drug overseas? Or wait for U.S. approval?

Case No. 2

For years, your corporation manufactures a dye intermediate called Beta-naphthylamine without any questions of risk. Then alarming evidence begins turning up — an unusual number of tumors among workers in the plant, malignant tumors. Beta is identified by company scientists as a potent carcinogen — but hundreds of your workers were already exposed.

Would you blow the whistle on yourself or try to do a clean-up quietly to prevent future injuries?

Case No. 3

As the head of a multinational corporation, you learn that one of your plant managers has been arrested in a distant republic. His alleged "crime" is that goods found in your warehouse lack the proper customs stamps and papers.

But the truth is more complicated. For years, "grease" has been a way of life in this country's bureaucracy and your plant manager has been paying gratuities to the customs officers. But he knows it is against "home office" policy and so he stops. Their "inspection" follows. The price for dropping all charges: $18,000.

Would you pay up? Or let your man be put in jail? Which alternative is more ethical?

Case No. 4

Federal health investigators are pursuing a report that one of your manufacturing plants has a higher than average incidence of cancer among its employes. The plant happens to keep excellent medical records on all its employes, stretching back for decades, which might help identify the source of the problem.

The government demands the files. But if the company turns them over, it might be accused of violating the privacy of all those workers who had submitted to private medical exams. The company offers an abstract of the records, but the government insists on the complete files, with employe names.

Then the company tries to obtain releases from all the workers, but some of them refuse. If you give the records to the feds, the company has broken its commitment of confidentiality. What would you do?

Case No. 5

South Africa — in or out? Many people have a ready answer: American business should "ban" South Africa as long as South Africa bans some of its people. Should your company do business there, including production operations?

The apartheid policies are morally indefensible in the eyes of many, and U.S. capital investment props up a racist government. That's one side. The other side argues economic development, stimulated by outside investment, is making conditions better for nonwhites and that specific terms can be drawn to cover the business operations, guaranteeing equal pay and promotions for nonwhites. How do you vote your shares?

□ □

I hope it is obvious by now that, case by case, there is no certain "right" answer. Here is how real company executives decided each one:

Case No. 1 — DuPont went ahead and marketed its new anti-viral drug overseas, supported by high-quality judgments from governments of Western Europe that the drug can be used safely and that it works. U.S. clearance came later and the product is now sold in the United States.

Case No. 2 — DuPont follows what is called the "Reasonable Man Rule" on questions of disclosure. If a reasonable person, given information, would follow a different course of action to the advantage of health and safety, then the information must be given to him or her — inside or outside the company. Whether or not it happens to increase or decrease the profits of the company is irrelevant.

This case of Beta, incidentally, occurred back in the 1930s at our plant in New Jersey. We made full disclosure in the medical journals, cleaned up the process and took care of employes to the best of medical science's ability. For the future, the company created its Haskell Lab to try to prevent such "surprises" in the future.

Case No. 3 — The company paid the $18,000 to keep their man out of jail (for obvious reasons, I'm not going into identities). It seemed more ethical to rescue the company manager from his real predicament than to hold out for the abstract principle.

Case No. 4 — The issue of private medical files involved DuPont's Belle, W.Va., plant and I note, in passing, that the ethical argument came up only because DuPont does scrupulously maintain employe health records. The company decided not to comply with the government demands and the issue was decided by an outside referee — a federal judge — who ruled that DuPont must turn over the records, but that the government must observe strict limits to protect confidentiality. This is how this type of tough case should be decided, I think, by a third party in a legitimate process where all sides can be fairly considered.

Case No. 5 — DuPont doesn't happen to have any production in South Africa, but the ethical point is that corporate executives should not try to make foreign policy for the United States. That is not our role or our privilege. So long as this country recognizes South Africa, corporations must make their own decisions on the basis of self-interest.

That point has broad relevance to business ethics. Business executives should not try, on their own, to decide whether the safety standards ought to be tightened in the machine shop. Nor is any other segment of society entitled to be the self-appointed Solomon of corporate conduct.

Standards of conduct — to deserve respect — should be drawn from a public process reflecting many views. For its part, business should participate in that process to the full limits of its knowledge — but only as one actor, laying no greater or lesser claim to wisdom than any other actor, and not expecting any special forgiveness if it violates the norms that are set.

There is a quid pro quo in ethical judgments. As the late Alexander Bickel of Yale pointed out, the process by which ethical judgments are shaped must itself be morally acceptable. In no other way, he argued, can there be a morality of consent.

Too often, discussions of business ethics fail to meet Bickel's test. They start off polarized and go downhill from there.

Would it be too simple to suggest that more headway will be made if we give up the Moral Rectitude Race? If we consider the possibility that most people in business have pretty much the same base of values as most of their critics?

Then at least, we could set aside the non-issues — where conduct is already covered by law — and examine other problems to see if the facts really indicate that ethical judgments must be made. This would put the energy of the democratic system into the tough ethical questions that remain — the "hard calls" which really require collective thought.

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TEACHER BACKGROUND INFORMATION

In the last decade many American institutions have been under criticism and business certainly has not escaped public disillusionment. In his book Corporate Power and Social Responsibility, Neil Jacoby summarized five criticisms of big corporations: (1) Big businesses exercise concentrated economic power contrary to the public interest; (2) Big businesses use the judicial system, political parties, regulatory agencies, and universities in ways that are contrary to the public interest; (3) Big businesses are controlled by a self-perpetuating, irresponsible "power elite"; (4) Big businesses exploit and dehumanize workers and consumers; and (5) Big businesses degrade the environment and the quality of life.*

The profit-seeking corporation has responsibilities to many groups in its exercise of power -- corporations, employees, owners, creditors, competitors -- as well as the natural environment. Corporations conduct over four-fifths of the private business in our economy. In the following article, Thomas Murphy, Chairman of General Motors, reminds business of its responsibilities as he views them:

> We move in the right direction every time we emphasize the quality as well as the quantity in our products, every time we focus on service as well as sales, every time we welcome criticism and act on it rather than avoid it and condemn it. We move again in the right direction every time we talk with a customer, with a stockholder, with an employee; every time we take the trouble to teach a youngster; whenever we invest what we must to provide better products and better service for consumers.
>
> Every neglected service, every shoddy product, every reason for complaint is worse than bad business; it invites more regulation by government. Conversely, we counter the threat of government overregulation when we do what we must and should to satisfy our customers, when we get back to what competition in business is all about.**

*Neil H. Jacoby, Corporate Power and Social Responsibility. New York: Macmillan Publishing Company, 1973, pp. 10-15.

**Thomas A. Murphy, "Businessman, Heal Thyself," Newsweek, December 20, 1976, p. 11.

Questions about the proper role for business go beyond providing better products and services for consumers. Some people believe business should take an aggressive role in helping to solve some of society's problems. Others question whether or not business conduct is in accord with basic American values of equal opportunity, individual freedom, due process, and privacy. Here are four viewpoints on the social responsibilities of business:

PERSPECTIVES ON BUSINESS

". . .there is one and only one social responsibilty of business--to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible."--Milton Friedman, Economist

"Few Americans question whether business is economically efficient. What they want is to be sure that it is morally sound and socially effective. They want to know if the corporate institution is congruent with what we in the Western world perceive to be a good society. They also question whether the distribution of power and wealth in business is legitimate and equitable, or simply ethical."--Jan J. Ertsezek, The Olga Company

"What we need to achieve is an equilibrium between the enormous energies of the free market and the compassion, equal opportunity, and social justice associated with democracy, in such a way that we do not fetter the market and prevent it from continuing to provide the healthy, growing economy necessary to achieve the promises of democracy."--Harold M. Williams, Chairman, Securities and Exchange Commission

". . .While producing goods and providing jobs is our primary function, we can't live successfully in a society if the hearts of its cities are decaying and its people can't support their families. We've got to help make the whole system work, and that involves more than just having a safe workplace and providing jobs for the number of people we can hire. It means that just as you want libraries, and you want schools, and you want fire departments and police departments, you also want businesses to help do something about unsolved social problems."--Irving S. Shapiro, Chairman and Chief Executive Officer, E.I. DuPont de Nemours & Company, Inc.

THE BUSINESS ENVIRONMENT

Student Materials

Author: Phyllis F. Maxey
Business Issues in the Classroom
Constitutional Rights Foundation
Los Angeles, California
Revised, 1983

THE BUSINESS ENVIRONMENT

Have you ever asked yourself:

What can I expect when I go to work for a company?

What are the rules of the game in the business world?

Are all companies alike?

What kinds of jobs are out there?

Can I influence what business does?

Does business help or hurt our society?

The Business Issues materials are designed to help you discover answers to these questions. You will gain knowledge and skills that will help you as a consumer, a worker, an investor, and a citizen.

Business provides us with an amazing variety of food, clothing, housing, sports, movies, music, automobiles, and health care -- millions of products and services. Business can provide us with an income, career opportunities, challenges, and a sense of achievement. Our lives can be greatly enriched by the actions business takes.

But lives can also decline in quality. Companies may be laying off workers instead of hiring them. When we try to get the job of our choice, there may be few opportunities. If we have a small income, we may not be able to buy the things we would like to have. Pollution of the air, water, and land can ruin our favorite recreation areas, our own health, and the quality of life in our cities and towns.

We all need to understand more about how business and society work. We can help use the tremendous resources of business to improve the quality of life for all. There are some hard choices facing people in business and government. We will look at some of the important issues that affect our future.

This unit includes the following learning activities:

1. READING: What is Business?
2. READING REVIEW: Questions to Answer
3. ACTIVITY: Business Issues Survey
4. READING: The Business Environment
5. READING REVIEW: Questions to Answer
6. ACTIVITY: Case Studies in Business Decision-Making
7. ACTIVITY: Newspaper Research
8. VOCABULARY WORKSHEET

WHAT IS BUSINESS?

Who makes some of the products that you and your family buy? For each of the items below, list as many companies as you can who produce these products.

JEANS _____

BICYCLES _____

Where can you buy these products? What are the names of stores that sell jeans and bicycles?

JEANS _____

BICYCLES _____

The first group of companies you listed are a type of business called manufacturing. A manufacturer such as Levi-Strauss uses denim, thread, zippers, and trim to make millions of pairs of jeans. A manufacturer turns raw materials into something consumers want. The second group of businesses are called distributors. A distributor such as Miller's Outpost buys jeans from manufacturers and sells them to you, the consumer.

All businesses are involved in one or more of these activities: production, distribution (or marketing), and service. A manufacturer falls into the category of production as do farms, oil refineries, and mining companies. A distributor moves goods between producers and consumers. A trucking company, television station, and supermarket are examples of distributors. Marketing includes more than transporting goods. People who work in marketing are concerned with the way goods look and they research what consumers want. They need to know what products, in which sizes, and at what prices will please the consumer.

The third type of business activity, service, is not concerned with the manufacture and distribution of products. Service businesses provide you with the personal services you want. What companies do you know that provide the following services?

LOANS _____

CLEAN CLOTHES _____

INSURANCE _____

MEDICAL CARE _____

HOW DOES BUSINESS WORK?

In each of these businesses there are owners: people who provide the money for a factory, office, or store for the raw materials, the machinery, and whatever else is needed to start or expand the business. The owner might be one person who, with the aid of a loan, an inheritance, or personal savings, invests $30,000 to open a fishing tackle and bait store.

Or there may be many owners, as in the case of a corporation. These owners are called stockholders. They buy a piece of paper -- a stock certificate -- which is a share of the corporation they can sell at any time or keep and receive whatever dividends the corporation may pay. Buying stock is an investment, and the stockholders are interested in an efficient, profitable company so that their stock will increase in value. Exxon, one of the largest corporations in the world, has over 800,000 stockholders. Last year these investors received dividends of 10%.

Corporations have several advantages over a one-owner company. One of the most important is the ability to raise vast amounts of money. Some businesses, such as mining and manufacturing, require more money than a single owner could raise. A corporation is a better type of business organization for this costly production.

All businesses must make a profit to stay in existence. When Bud Hill opens his fishing tackle store, he must make more money from sales than it costs him to run the business; this is his profit. Without profits Bud has no income to support himself and his family. A successful business can take its profits and expand the business, improve its equipment, buy new pollution-control technology, or distribute the profits to its owners. A successful business makes important contributions to our society by offering new jobs, better products, and more tax revenue.

CUSTOMERS

Customers or consumers are the people who buy the goods and services that business provides. We use the income from our jobs to buy certain things. Most of us have to make choices because we can not afford to buy everything we want. We also make choices among the many varieties of the same product.

Linda, a member of the tennis team, needs a new pair of athletic shoes. There are many varieties of shoes with different features and different prices. Linda buys a pair for $40. Would you spend $40 for a pair of tennis shoes? On what basis did you make your decision?

Consumers base their buying decisions on their own habits, values, and needs. We may feel socially pressured to buy a particular kind of shirt. We may be influenced by advertising to try a new product. If a business can not attract customers, it will discontinue a product line or try to improve its marketing. American automobile companies are trying to improve their cars to make them more fuel efficient. Consumers want to spend less money on gasoline, and these companies are trying to respond to this demand.

Consumer demand is very important in our economy. There is no government central planning board that decides how many television sets will be manufactured in 1985. The price and quantity are decided by our market system. Competing companies try to meet consumer demand by supplying products at various prices. One company can not raise its prices too high, because consumers will then buy from its competitors. If few consumers are interested in buying a product, there will be very few companies supplying it. In a market economy like ours, buyers and sellers can make economic decisions based on price, supply, and demand.

GOVERNMENT AGENCIES

Business and the consumer are also affected by the actions of government: the president, Congress, regulatory agencies, and state and local governments. Government regulation of business occurs for many reasons. In the case of utilities -- water, power, telephone, gas -- the government allows a monopoly to exist. A utility company has no competition in a certain region. Thus, consumers have no choice as to which phone company they will use; there is only one. The reason for this is efficiency. It would be cumbersome to have three phone companies in one city, each with their own lines and equipment. In the case of utility companies, government regulates the rates charged by the companies because there is no competition to keep prices down and quality high.

The U. S. Constitution sets forth some of the basic principles by which business functions. The state and federal court systems enforce these principles. For example, the enforcement of contracts is a vital function of government. A contract is an agreement to exchange a product or service for something of value. Both the buyer and seller have obligations in a contract. If you write a check for a stereo, but have insufficient money in your account to cover it, the company can take you to court to force you to return the stereo or pay for it. If the company fails to sell you a stereo that works properly, you can take them to court for not living up to their part of the contract.

Many government regulations attempt to prevent unfair business practices and carry out social goals. The Securities and Exchange Commission, a federal regulatory agency, protects investors by establishing rules of fair trade for stocks and bonds. Some government agencies conduct tests of new products and investigate consumer and business complaints. The Food and Drug Administration sets requirements that must be met before a drug company can market a new product. Tests must be conducted to show the drug's effectiveness and its impact on people's health.

SPECIAL INTERESTS

In our society there are many organized groups working to achieve their members' goals. These goals can affect business. Environmentalists may join such organizations as Friends of the Earth, the Wilderness Society, or the Sierra Club in order to work with others in protecting the environment. The Apartment Owners Association is a private group that works to protect the interests of apartment owners. Blacks, Latinos, Asian Americans, and other ethnic groups have created organizations to make business and government aware of their viewpoints.

A business receives information, requests to sponsor programs, and sometimes complaints from interest groups. A business manager may meet with a community group that wants the company to employ more handicapped workers. An interest group may use the media and political process to try to stop a business proposal to build a new shopping center.

Business can also be an interest group. Large corporations have lobbyists in Washington, D. C. who present their point of view to senators, representatives, and members of the White House staff. A piece of legislation going through Congress is of interest to business for many reasons. The proposed bill might increase business taxes. It might limit freedom of choice for business or increase government regulation. For example, companies that produce weapons and other military hardware for the U. S. Department of Defense are greatly affected by Congressional decisions. A government contract can mean millions of dollars to them. Thus business lobbyists put pressure on Congress as well as state legislatures to support their interests. Other groups -- consumers, environmentalists, labor unions, and hundreds of others -- also pressure business and government to support their causes.

EMPLOYEES

By 1985 there will be 100 million people in the American workforce. These individuals constitute one of the most precious resources of business, its human resources.

In 1940 two-thirds of the workforce held "blue collar" jobs -- jobs in production and processing companies. The term "blue collar" comes from the blue shirts or coveralls that construction workers, factory workers, and mechanics used to wear. Today, less than one-third of the workers have blue collar jobs. Most people have "white collar" jobs, such as office workers, sales people, administrators, teachers, and engineers. Most white collar workers are employed in companies that provide services rather than in production or distribution businesses.

Employees are essential to a company's goals. In a small business the owner may do much of the work and need only a few additional workers. In large corporations there may be thousands of employees working in different departments, in different divisions, in cities all over the world. In the case of corporations, most stockholders (owners) will never meet the employees. Stockholders elect a board of directors who in turn choose the top executive officers of the corporation. These executives then hire managers to run the corporation's departments -- marketing, finance, production, and personnel. Managers hire the professional and clerical staff needed by the company.

Supervisors, managers, and executives make many of the decisions in a corporation. They are responsible for carrying out the policies made by the board of directors and for running a profitable business. They must take into account how their actions will affect employees and how they can best use the company's human resources in accomplishing their goals. Some companies encourage employees at all levels to participate in management by making suggestions and reacting to proposed changes. In companies where employees belong to a labor union, a contract establishes the rights of workers and management. Representatives of management and labor work out an agreement that covers wages, benefits, and working conditions.

COMPETITORS, CREDITORS, MEDIA

An important part of the business environment is the role played by other businesses. Banks provide loans to a business. Other companies will supply raw materials, services, and any other goods needed by the business. An employment agency may help a business find clerical employees. A research firm may work with a company to develop new technology.

Anyone to whom the company owes money is a creditor. A company that does not pay its bills on time will certainly hear from all of its creditors in the future. Banks will charge a penalty for failure to make payments on time. As is the case with consumers, employees, and owners, a business has responsibilities to its creditors.

Competitors are business firms selling the same products, competing for consumers' dollars. The rules of fair competition do not allow competitors to join together to decide what prices they will charge so they can all make a profit. Price fixing is illegal. Another unfair business practice is stealing another company's secrets. Patents and copyrights are legal means by which a business can protect its investment in the development of a new procedure or product.

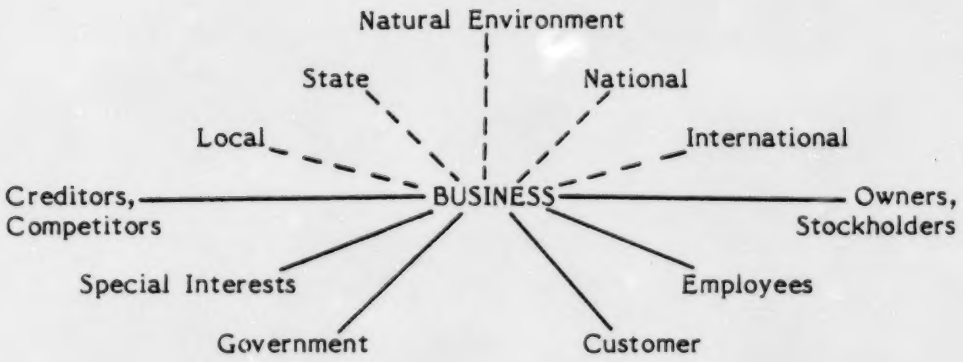
One group of businesses with which all companies work are the media -- radio, television, and newspapers. It is through the media that business communicates with consumers, employees, and citizens in general. A high technology company may place an ad in the newspaper seeking computer specialists. An energy company may sponsor a television program in order to

reach viewers who might buy their products. A company's director of public affairs may meet with the host of a radio talk show in order to present the company's views on a business-related issue.

NATURAL ENVIRONMENT

A discussion of the business environment would be incomplete without including the natural resources that business uses. Production of consumer goods affects the land, water, and air that all of us share. In order to extract oil and minerals from the land, mining and drilling operations are necessary. But such production may have a negative impact on our environment. In order to produce goods that we need, business also produces chemical waste that must be stored somewhere. What should be done with hazardous wastes? In many cases business and society are faced with trade-offs. Do we want cleaner air? How clean? How much are we willing to pay in higher prices or higher taxes to reach the goal of clean air?

Business decisions must take into account the impact of any action on the environment. Energy companies now have environmental engineers who assess the impact of a proposed operation. Business works with groups at local, state, and national levels in determining the best way to carry out production with the least harm to the environment.



THE BUSINESS DECISION-MAKING ENVIRONMENT

READING REVIEW

To check your understanding of the reading, answer the following questions.

1. What are some of the differences among businesses?
2. What might a business decide to do with its profits?
3. In what ways are consumers important to a market economy like ours?
4. How does government affect the way business works?
5. What is a lobbyist?
6. What kinds of jobs do most people have today?
7. What are some other businesses that might sell products or services to the owner of the fishing tackle store?
8. Why is the natural environment an important element in business decision-making?
9. Who are the owners of a corporation? Do they run the company? What do they do?
10. What are the different types of employees in a large corporation?

BUSINESS ISSUES SURVEY

YOU DECIDE: How important should the following objectives be to American business today?

Rank from 1 to 10 the following business actions in order of importance. #1 is most important. #10 is least important.

_____ Improve employee safety

_____ Use energy efficiently

_____ Contribute to urban renewal and other community programs

_____ Increase profits

_____ Protect employees' privacy by keeping personal information in the files confidential

_____ Buy supplies from minority-owned businesses

_____ Improve productivity (the amount produced per employee hour worked to effectively compete with other countries)

_____ Respond to consumer concerns about product safety

_____ Hire and promote employees so as not to discriminate against women and minorities

_____ Control pollution of air, water, and land

Discussion Questions

1. Compare your answers with others in class. What actions received a #1 ranking? #10 ranking? Why?
2. Do you think your answers would be different if you were a stockholder? a former employee now out of work? an executive of a large corporation? a member of an environmental protection group? In what ways?

Action Research

1. Choose an adult you know who works for a profitmaking company (that leaves out people who work in government, in most schools, churches, or charities). Decide what you think he/she would rank as #1 or #2 on the Business Issues Survey. Then give the person the survey and discuss the results together.
2. Invite a business person to class to discuss his or her response to this survey.

THE BUSINESS ENVIRONMENT

Business actions affect many people and, in turn, many people affect business. We have looked at the major groups that make up the business decision-making environment: owners, customers, government, special interest groups, employees, and other businesses. In addition to these people, business also affects the natural environment. A business problem can be at any level from local to international, or several levels at one time as in the following example.

> PROBLEM: Consumers want more gasoline at lower prices. This means more oil drilling. The President wants more oil produced at home rather than relying on foreign imports. In response to this demand, several oil companies apply for drilling rights off the coast of Santa Barbara, California. There is immediate opposition. Environmentalists and the state coastal commission claim that the oil rigs will endanger marine life and ruin the beaches. The city of Santa Barbara is opposed because the unsightly rigs in the harbor will ruin the tourist business. Fishermen claim it will interfere with their catch. Beachgoers are unhappy about the prospect of oil-covered sand and water.
>
> ????What should be done????

The business decision-making environment in this case includes more than consumer demand for gasoline resulting in more business production. Drilling off the California coast has social and economic consequences for a broad range of groups. We can see that people in government disagree. The President supports the offshore drilling and the California Coastal Commission opposes it. Groups are involved in the decision at the local, state, and national levels. Oil producers will be working with many people before they can begin production.

READING REVIEW

THE SANTA BARBARA DECISION

Using the diagram above answer the following questions:

1. There are three government groups involved in this decision. Who represents local interests? state interests? national interests?
2. Are there any special interest groups in this case?
3. What role does the international situation play in this case?

FIVE CASES IN BUSINESS DECISION-MAKING

CASE NO. 1: Your corporation has developed a prescription drug that helps prevent flu or cure it. The Food and Drug Administration won't grant clearance to sell the drug in the U. S. without further testing. Your company thinks the U. S. regulators are being unreasonable and dragging their feet. Foreign governments have approved the drug for sale in their countries after testing for safety and effectiveness.

_____ Go ahead and market the drug overseas
_____ Wait for U. S. approval

CASE NO. 2: For years, your corporation has manufactured a dye called Beta-n without any questions of risk to people. Now alarming evidence is turning up -- an unusual number of tumors among workers in the plant, and most are cancerous. Beta-n has now been identified by company scientists as a strong carcinogen. Hundreds of your workers have already been exposed.

_____ Blow the whistle on yourself, making a public announcement
_____ Clean up the situation quietly to prevent future injuries

CASE NO. 3: As head of a multinational corporation, you learn that one of your plant managers has been arrested in a distant republic. His alleged crime is that goods found in your warehouse lack the proper customs stamps.

For years, your plant manager has been paying money to customs officials because such a practice is a way of life in that country. The plant manager knows it is against the newly written company policy, so he stops paying. The "inspection" of the customs officers follows. They say they will drop all charges for $18,000.

_____ I would recommend that the company pay the $18,000
_____ I would not pay even if they put the plant manager in jail

CASE NO. 4: Recent studies by federal health inspectors show that one of your manufacturing plants has a higher than average rate of cancer among its employees. The government requires the company to turn over the employees' files because they contain medical information which might help identify the source of the problem.

But if the company turns over the records, it will be violating the privacy of all those workers who agreed to take medical exams. So the company offers the government a summary of each file, removing the employee's name. The government insists on the complete files in order to do the research.

_____ Send the government the complete files of the plant's employees

_____ Refuse to release the employees' files

CASE NO. 5: South Africa -- in or out? Many people have a ready answer: American corporations should not do business in South Africa as long as South Africa bans the non-white people in that country from citizenship and other rights. U. S. business in South Africa simply props up a racist government.

The other side argues that economic development helps to improve conditions for non-whites. American business can help change racist customs in South Africa by guaranteeing equal pay and promotions for non-whites.

_____ American business should get out of South Africa

_____ American business should stay in South Africa

Your teacher has the responses of DuPont executives in these cases. Case studies are from Business Ethics Quiz by E.I. DuPont de Nemours & Co. Source: Carl B. Kaufmann, Washington Post, July 1, 1979.

THE BUSINESS ENVIRONMENT: NEWSPAPER RESEARCH

Use the library to gather recent copies of several of the following newspapers:

Wall Street Journal
New York Times
Chicago Tribune
Los Angeles Times
a local newspaper

Look at the front page for stories about business. Then find the business section of the paper (except for the Wall Street Journal which is almost entirely devoted to business issues). When you find a story about the following groups, briefly describe it on a separate piece of paper.

1. Business and its employees
2. A court decision that affects business actions
3. Government regulation of business
4. Business and the consumer
5. Business and international trade
6. Special interest group pressures business

VOCABULARY WORKSHEET

MANUFACTURERS	CONTRACT	INTERNATIONAL
DISTRIBUTORS	MEDIA	REGULATORY AGENCIES
CONSUMERS	CREDITORS	STOCKHOLDERS

Place the correct word next to its definition.

_____ 1. Newspapers, television, radio

_____ 2. People who buy goods and services

_____ 3. Existing between two or more countries

_____ 4. Businesses that take raw materials and change them into consumer products

_____ 5. Agreement to exchange a product or service for something of value

_____ 6. Owners in a corporation

_____ 7. Businesses that move products from producers to consumers

_____ 8. Government organizations which oversee business activities

_____ 9. Businesses that lend money or sell products to another company based on the company's promise to pay

List six groups that are a part of the business decision-making environment:

_____

_____

_____